TAXABLE YEAR

CALIFORNIA FORM

1998 Depreciation and Amortization 3885L

Name as shown on return

FEIN

Assets placed in service after 12/31/97 (depreciation): Intangibles placed in service after 12/31/97 (amortization):			Depreciation of Assets			Amortization of Property		
1 (a) Description of property	(b) Date placed in service	(c) Cost or other basis	(d) Method of figuring depreciation	(e) Life or rate	(f) Depreciation for this year	(g) Code section	(h) Period or percentage	(i) Amortization for this year

1 Enter line 1, column (f) and column (i) totals here 1

Depreciation

2 California depreciation for assets placed in service before January 1, 1998 2

Note: Be sure to make adjustments for any basis differences.

3 Total California depreciation. Add line 1(f) and line 2 3

Amortization

4 California amortization for intangibles placed in service before January 1, 1998 4

Note: Be sure to make adjustments for any basis differences.

5 Total California amortization. Add line 1(i) and line 4 5

6 Total depreciation and amortization. Add line 3 and line 5. Enter the total here and on Form 568, Side 2, line 16a, if from a trade or business, or on federal Form 8825, line 14, if from rental real estate activities 6

7 Section 179 expense election from worksheet. See instructions 7

8 Carryover of disallowed deduction to 1999. 8

TAXABLE YEAR

CALIFORNIA SCHEDULE

1998 Capital Gain or Loss D (568)

Name as shown on return

FEIN

1 (a) Description of property (Example, 100 shares 7% preferred of "Z" Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Sales price. See instructions.	(e) Cost or other basis. See instructions.	(f) Gain (loss) ((d) minus (e))

1 Enter line 1, column (f) total here. 1

2 Capital gain from installment sales, form FTB 3805E, line 26 or line 37 2

3 LLC's share of net capital gain (loss), including gains (losses) from LLCs, partnerships, fiduciaries and S corporations 3

4 Capital gain distributions. 4

5 Net capital gain (loss). Add line 1, line 2, line 3 and line 4. Enter total on Schedule K, line 4d, and each partner's share on Schedule K-1 (568), line 4d 5

Instructions for Form FTB 3885L

Depreciation and Amortization

General Information

In general, California tax law conforms to the Internal Revenue Code (IRC) as of January 1, 1998. However, there are continuing differences between California and federal tax law. California has not conformed to the changes made to the IRC by the Federal Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (Public Law 105-206) and the Tax and Trade Relief Extension Act of 1998 (Public Law 105-277).

California law is the same as federal law regarding:

- Exemption of the incremental cost of a clean fuel vehicle from the limits on depreciation for vehicles;
- Suspension of taxable income limit on percentage depletion for marginal production properties for tax years beginning after December 31, 1997, and before January 1, 2000; and
- Limitations on property for which the income forecast method may be used.

A Purpose

Use form FTB 3885L, Depreciation and Amortization, to compute depreciation and amortization allowed as a deduction on Form 568, Limit Liability Company Return of Income. Attach form FTB 3885L to Form 568.

Depreciation is the annual deduction allowed to recover the cost or other basis of business or income producing property with a determinable useful life of more than one year. Land is not depreciable.

Amortization is similar to the straight-line method of depreciation in that an annual deduction is allowed to recover certain costs of intangibles over a fixed period of time.

In general, California conforms to federal law for assets placed in service on or after January 1, 1987. See California Revenue and Taxation Code (R&TC) Section 17250.

B Calculation Methods

California did not allow depreciation under the federal ACRS for years prior to 1987.

California does not conform to federal law for the following:

- Expense treatment for small business: For 1998 the maximum allowed under California law is $16,000; the maximum allowed under federal law is $18,500; and
- Accelerated depreciation for property on Indian reservations.

As a result of California legislation:

- Any grapevine replaced in a California vineyard in any taxable year beginning on or after January 1, 1997, as a direct result of Pierce's Disease will be considered 5-year property for accelerated cost recovery provisions.
- The corporate provision for the 5-year amortization of child care facilities has been repealed.

Specific Line Instructions

Line 1 – California depreciation for assets placed in service after December 31, 1997 and amortization for intangibles placed in service after December 31, 1997.

Complete column (a) through column (i) for each asset or group of assets or property placed in service after December 31, 1997. Enter the column (f) totals on line 1(f). Enter the column (i) totals on line 1(i).

Line 2 – California depreciation for assets placed in service before January 1, 1998

Enter total California depreciation for assets placed in service prior to January 1, 1998, taking into account any differences in asset basis or differences in California and federal tax law.

Line 4 – California amortization for intangibles placed in service before January 1, 1998

Enter total California amortization for intangibles placed in service prior to January 1, 1998, taking into account any differences in asset basis or differences in California and federal tax law.

As of January 1, 1994, California has conformed to IRC Section 197, relating to the amortization of intangibles. No deduction is allowed under this section for any taxable year beginning prior to January 1, 1994. If a taxpayer made an election for federal purposes under the Revenue Reconciliation Act of 1993 (P.L. 103-66), relating to the election to have amendments apply to property acquired after July 25, 1991, or relating to an elective binding contract exception, a separate election for state purposes is not allowed under R&TC Section 17024.5(e)(3), and the federal election is binding. In the case of an intangible that was acquired in a taxable year beginning before January 1, 1994, and that is amortized under IRC Section 197, the amount to be amortized cannot exceed the adjusted basis of that intangible as of the first day of the first taxable year beginning on or after January 1, 1994. This amount must be amortized ratably over the period beginning with the first month of the first taxable year beginning on or after January 1, 1994, and ending 15 years after the month in which the intangible was acquired.

Assets with a Federal Basis Different from California Basis

Some assets placed in service on or after January 1, 1987, will have a different adjusted basis for California purposes due to the credits claimed or accelerated write-offs of the assets. Review the list of depreciation and amortization items in the instructions for Schedule CA (540), California Adjustments — Residents, and Schedule CA (540NR), California Adjustments — Nonresidents or Part-Year Residents. If the LLC has any other adjustments to make, get FTB Pub. 1001, Supplemental Guidelines to California Adjustments, for more information.

Line 6 – Total Depreciation and Amortization

Add line 3 and line 5. Enter the total on line 6 and on Form 568, Schedule B, line 16a.

If depreciation or amortization is from more than one trade or business activity, or from more than one rental real estate activity, the LLC should separately compute depreciation for each activity. Use the depreciation computed on this form to identify the net income for each activity. Report the net income from each activity on an attachment to Schedule K-1 (568) for purposes of passive activity reporting requirements. Use California amounts to determine the depreciation amount to enter on line 14 of federal Form 8825, Rental Real Estate Income and Expenses of Partnership or an S Corporation.

Line 7 – Enter the IRC Section 179 expense election amount from the following worksheet.

These limitations apply to the LLC and each member.

Election to Expense Certain Tangible Property (IRC Section 179)

Note: Follow the instructions on federal Form 4562 for listed property.

1	Maximum dollar limitation	**1**	$ 16,000
2	Total cost of IRC Section 179 property placed in service during the tax year	**2**	
3	Threshold cost of IRC Section 179 property before reduction in limitation	**3**	$200,000
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	**4**	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-	**5**	

(a) Property	**(b)** Cost	**(c)** Elected cost
6		

7	Listed property. Use federal Form 4562, Part V, line 27, making any adjustments for California law and basis differences	**7**	
8	Total elected cost of IRC Section 179 property. Add amounts in column (c), line 6 and line 7	**8**	
9	Tentative deduction. Enter the smaller of line 5 or line 8	**9**	
10	Carryover of disallowed deduction from 1997. See instructions for line 9 through line 12 on the federal Form 4562	**10**	
11	Income limitation. Enter the smaller of line 5 or the aggregate of the LLC's items of income and expense described in IRC Section 702(a) from any business actively conducted by the LLC (other than credits, tax-exempt IRC Section 179 expense deduction and guaranteed payments under IRC Section 707(c))	**11**	
12	IRC Section 179 expense deduction. Add line 9 and line 10, but do not enter more than line 11. Enter on Schedule K (568), line 9 and on form FTB 3885L, line 7	**12**	
13	Carryover of disallowed deduction to 1999. Add line 9 and line 10 and subtract line 12. Enter here and on line 8 of form FTB 3885L	**13**	

Instructions for Schedule D (568)

Capital Gain or Loss

General Information

Use Schedule D (568) to report the sale or exchange of capital assets, except capital gains (losses) that are specially allocated to any members. Do not use this form to report the sale of business property. For sales of business properties use California Schedule D-1, Sale of Business Property.

Enter specially allocated capital gains (losses) received from LLCs, partnerships, S corporations and fiduciaries on Schedule D (568), line 3. Enter capital gains (losses) that are specially allocated to members on line 4d of Schedule K-1 (568). Do not include these amounts on Schedule D (568). See the instructions for Schedule K (568) and Schedule K-1 (568) for more information. Also refer to the instructions for federal Schedule D (1065).

California law now conforms to federal law for the recognition of gain for a constructive sale of property in which the partnership held an appreciated interest.

California Revenue and Taxation Code Section (R&TC) 18152.5 conforms to Internal Revenue (IRC) Section 1202 with modifications. In order to be eligible for the 50% exclusion of gain on qualified small business stock for stock issued after August 10, 1993 and before January 1, 1999, the corporation issuing the stock must meet the following conditions in addition to the conditions cited in IRC Section 1202:

- 80% of the corporation's payroll, as measured by total dollar value, is attributable to employment located in California; and
- 80% (by value) of the assets of the corporation are used by the corporation in the active conduct of a trade or business in California (R&TC Section 18152.5).

Note: The limited liability company also must separately state the amount of the gain that qualifies for the 50% exclusion under R&TC Section 18152.5 on Schedule K, line 7. Each member must determine if he or she qualifies for the gain at the member level.